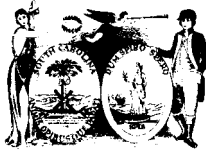


State of South Carolina



Office of the State Auditor

1401 MAIN STREET, SUITE 1200
COLUMBIA, S.C. 29201

THOMAS L. WAGNER, JR., CPA
STATE AUDITOR

(803) 253-4160
FAX (803) 343-0723

September 20, 2001

Ms. Cindy Hutto, Controller
Bamberg County Hospital
Post Office Drawer 507
Bamberg, South Carolina 29003

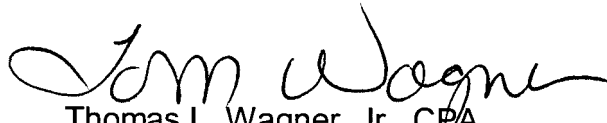
Re: AC# 3-BMB-J6 – Bamberg County d/b/a Bamberg County Memorial Nursing Center

Dear Ms. Hutto:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 1995 through September 30, 1996. That report was used to set the rate covering the contract periods beginning October 1, 1997.

We are recommending that the Department of Health and Human Services certify an accounts payable for amounts underpaid as a result of the rate change shown on Exhibit A. You will be notified of settlement terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.


Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/cwc

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Mr. Joseph Hayes

**BAMBERG COUNTY
D/B/A BAMBERG COUNTY
MEMORIAL NURSING CENTER**

BAMBERG, SOUTH CAROLINA

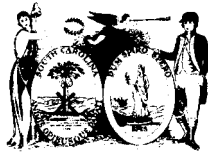
**CONTRACT PERIODS
BEGINNING OCTOBER 1, 1997
AC# 3-BMB-J6**

**REPORT ON CONTRACT
FOR
PURCHASE OF NURSING CARE SERVICES
WITH
STATE OF SOUTH CAROLINA
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

September 14, 2001

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Bamberg County d/b/a Bamberg County Memorial Nursing Center, for the contract periods beginning October 1, 1997, and for the twelve month cost report period ended September 30, 1996, as set forth in the accompanying schedules. This engagement to apply agreed-upon procedures was performed in accordance with the standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

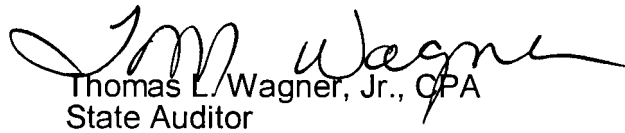
The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Bamberg County d/b/a Bamberg County Memorial Nursing Center, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days, and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and Bamberg County d/b/a Bamberg County Memorial Nursing Center dated as of October 1, 1994 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computation of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
September 14, 2001

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.


Thomas L. Wagner, Jr., CPA
State Auditor

BAMBERG COUNTY D/B/A BAMBERG COUNTY MEMORIAL NURSING CENTER

Computation of Rate Change
For the Contract Periods
Beginning October 1, 1997
AC# 3-BMB-J6

	10/01/97- <u>09/30/98</u>
Adjusted reimbursement rate	\$95.70 (2)
Interim reimbursement rate (1)	<u>95.54</u>
Increase in reimbursement rate	\$ <u>.16</u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated December 19, 2000

(2) As provided under Article IV, Section E of the Provider's contract dated as of October 1, 1994 as amended, "The Provider agrees that the rate charged to DH&HS for service to an eligible Medicaid recipient under this contract will not be greater than that charged for a similar service to a private pay patient." Accordingly, the reimbursement rate is limited to the customary charges to private pay clients.

BAMBERG COUNTY D/B/A BAMBERG COUNTY MEMRIAL NURSING CENTER
 Computation of Adjusted Reimbursement Rate
 For the Contract Periods October 1, 1997 Through September 30, 1998
 AC# 3-BMB-J6

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 54.27	\$47.70	
Dietary		13.62	10.55	
Laundry/Housekeeping/Maint.		<u>13.42</u>	<u>7.53</u>	
Subtotal	\$ <u>-</u>	81.31	65.78	\$65.78
Administration & Med. Rec.	\$ <u>-</u>	<u>19.63</u>	<u>9.06</u>	<u>9.06</u>
Subtotal		100.94	<u>\$74.84</u>	74.84
<u>Costs Not Subject to Standards:</u>				
Utilities		3.36		3.36
Special Services		-		-
Medical Supplies & Oxygen		-		-
Taxes and Insurance		2.19		2.19
Legal Fees		<u>.35</u>		<u>.35</u>
TOTAL		<u>\$106.84</u>		80.74
Inflation Factor (4.40%)				3.55
Cost of Capital				15.75
Cost of Capital Limitation				(1.71)
Profit Incentive (Max. 3.5% of Allowable Cost)				-
Cost Incentive				-
Effect of \$1.75 Cap on Cost/Profit Incentives				-
Minimum Wage Add-On				<u>.50</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$98.83</u>

BAMBERG COUNTY D/B/A BAMBERG COUNTY MEMORIAL NURSING CENTER

Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1996
AC# 3-BMB-J6

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments <u>Debit</u>	<u>Credit</u>	<u>Adjusted Totals</u>
General Services	\$ 725,333	\$146,354 (1)	\$ -	\$ 871,687
Dietary	219,740	-	893 (1)	218,847
Laundry	8,546	3,790 (1)	-	12,336
Housekeeping	51,312	53,689 (1)	-	105,001
Maintenance	25,133	73,053 (1)	-	98,186
Administration & Medical Records	175,062	140,321 (1)	-	315,383
Utilities	44,168	9,847 (1)	-	54,015
Special Services	-	-	-	-
Medical Supplies & Oxygen	55,318	-	55,318 (1)	-
Taxes & Insurance	38,807	-	3,676 (1)	35,131
Legal Fees	-	5,652 (1)	-	5,652
Cost of Capital	127,468	82,004 (1)	-	252,994
	<u> </u>	<u>43,522</u> (2)	<u> </u>	<u> </u>
Subtotal	1,470,887	558,232	59,887	1,969,232

BAMBERG COUNTY D/B/A BAMBERG COUNTY MEMORIAL NURSING CENTER

Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1996
AC# 3-BMB-J6

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	<u>Debit</u>	Adjustments <u>Credit</u>	<u>Adjusted Totals</u>
Ancillary	33,281	-	33,273 (1)	8
Non-Allowable	<u>(108)</u>	<u>54,992</u> (1)	<u>43,522</u> (2)	<u>11,362</u>
Total Operating Expenses	<u>\$1,504,060</u>	<u>\$613,224</u>	<u>\$136,682</u>	<u>\$1,980,602</u>
Total Patient Days	<u>16,015</u>	<u>48</u> (3)	<u>-</u>	<u>16,063</u>
TOTAL BEDS	<u>44</u>			

BAMBERG COUNTY D/B/A BAMBERG COUNTY MEMORIAL NURSING CENTER

Adjustment Report
Cost Report Period Ended September 30, 1996
AC# 3-BMB-J6

ADJUSTMENT NUMBER	ACCOUNT TITLE	DEBIT	CREDIT
1	General Services	\$146,354	
	Laundry	3,790	
	Housekeeping	53,689	
	Maintenance	73,053	
	Administration	140,321	
	Legal	5,652	
	Utilities	9,847	
	Cost of Capital	82,004	
	Nonallowable	54,992	
	Other Equity		\$476,542
	Dietary		893
	Taxes and Insurance		3,676
	Medical Supplies		55,318
	Ancillary		33,273
	To adjust cost centers to amounts per the settled Medicare cost report HIM-15-1, Section 2300		
2	Cost of Capital	43,522	
	Nonallowable		43,522
	To adjust capital return State Plan, Attachment 4.19D		
3	<u>Memo Adjustment:</u> To increase total patient days by 48 from 16,015 to 16,063 days HIM-15-1, Section 2300		
		<hr/>	<hr/>
	TOTAL ADJUSTMENTS	\$613,224	\$613,224

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

BAMBERG COUNTY D/B/A BAMBERG COUNTY MEMORIAL NURSING CENTER

Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1996
AC# 3-BMB-J6

	<u>Old Beds</u>	<u>New Beds</u>	
Original Asset Cost (Per Bed)	\$ 15,618	\$ 15,618	
Inflation Adjustment	<u>2.1144</u>	<u>2.1144</u>	
Deemed Asset Value (Per Bed)	33,022	33,022	
Number of Beds	<u>22</u>	<u>22</u>	
Deemed Asset Value	726,484	726,484	
Improvements Since 1981	238,799	27,152	
Accumulated Depreciation at 9/30/96	<u>(331,286)</u>	<u>(188,332)</u>	
Deemed Depreciated Value	633,997	565,304	
Market Rate of Return	<u>.070</u>	<u>.070</u>	
Total Annual Return	44,380	39,571	
Return Applicable to Non-Reimbursable Cost Centers	-	-	
Allocation of Rent and Interest to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	
Allowable Annual Return	44,380	39,571	
Depreciation Expense	83,064	96,042	
Amortization Expense	-	-	
Capital Related Income Offsets	(5,320)	(4,743)	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	<u>Total</u>
Allowable Cost of Capital Expense	122,124	130,870	\$252,994
Total Patient Days (Actual Days)	<u>8,032</u>	<u>8,031</u>	<u>16,063</u>
Cost of Capital Per Diem	\$ <u>15.20</u>	\$ <u>16.30</u>	\$ <u>15.75</u>

BAMBERG COUNTY D/B/A BAMBERG COUNTY MEMORIAL NURSING CENTER

Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1996
AC# 3-BMB-J6

	<u>Old Beds</u>	<u>New Beds</u>
6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$ 7.79	\$ N/A
Adjustment for Maximum Increase	<u>3.99</u>	<u>N/A</u>
Maximum Cost of Capital Per Diem	<u>\$11.78</u>	<u>\$16.30</u>
Weighted Average Reimbursable Cost of Capital Per Diem *		\$14.04
Cost of Capital Per Diem		<u>15.75</u>
Cost of Capital Per Diem Limitation		<u>\$(1.71)</u>

* $((8,032 \times 11.78) + 130,870) / 16,063$

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